

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

MONTHLY OPERATING REPORT

**GLOBAL NOTES AND STATEMENTS OF LIMITATIONS AND DISCLAIMERS REGARDING
THE DEBTOR'S MONTHLY OPERATING REPORT**

LTL Management LLC, the debtor (the “**Debtor**”) in the above-referenced chapter 11 case (the “**Chapter 11 Case**”), with the assistance of its advisors, is filing this Monthly Operating Report (“**MOR**”) with the United States Bankruptcy Court for the District of New Jersey (the “**Bankruptcy Court**”), pursuant to section 521 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the “**Bankruptcy Code**”) and Rule 1007 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”).

These *Global Notes and Statements of Limitations and Disclaimers Regarding the Debtor's Monthly Operating Report* (the “**Global Notes**”) pertain to, are incorporated by reference in, and comprise an integral part of the MOR. The Global Notes should be referred to, considered, and reviewed in connection with any review of the MOR.

The MOR does not purport to represent financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States (“**GAAP**”), nor is it intended to be fully reconciled with the financial statements of the Debtor.

1. **General Methodology:** The Debtor is filing this MOR to comply with the applicable reporting requirements in the Chapter 11 Case. The financial information contained herein is unaudited, limited in scope, and as such, has not been subjected to procedures that would typically be applied to financial statements in accordance with GAAP. The MOR should not be relied on by any person for information relating to current or future financial condition, events, or performance of the Debtor or its affiliates, as the results of operations contained herein are not necessarily indicative of results that may be expected from any other period or for the full year, and may not necessarily reflect the combined results of operations, financial position, and schedule of receipts and disbursements in the future. There can be no assurance that such information is complete, and the MOR may be subject to revision. The Global Notes should be referred to, and referenced in connection with, any review of the MOR.

2. **Basis of Presentation:** The Debtor is maintaining its books and records in accordance with GAAP and the information furnished in this MOR uses the Debtor's accrual method of accounting. In preparing the MOR, the Debtor relied on financial data derived from its books and records that was available at the time of preparation. Nevertheless, in preparing this MOR, the Debtor made reasonable efforts to supplement the information set forth in its books and records with additional information concerning transactions that may not have been identified therein. Subsequent information may result in material changes to the MOR and errors or omissions may exist.

3. **Reporting Period:** Unless otherwise noted herein, the MOR generally reflects the Debtor's books and records and financial activity occurring during the applicable reporting period. Except as otherwise noted, no adjustments have been made for activity occurring after the close of the reporting period. The Debtor maintains its books and records on a 52-week schedule, which accounts for month-end utilizing a 4-4-5 week method, rather than on a calendar month basis. As a result, the reporting period for this MOR is from the time of filing on April 4, 2023 to April 28, 2023.

4. **Accuracy:** The financial information disclosed herein was not prepared in accordance with federal or state securities laws or other applicable non-bankruptcy law or in lieu of complying with any periodic reporting requirements thereunder. Persons and entities trading in or otherwise purchasing, selling, or transferring the claims against the Debtor should evaluate this financial information in light of the purposes for which it was prepared. The Debtor is not liable for and undertakes no responsibility for any evaluations of the Debtor based on this financial information or any other information.

5. **Receipts, Accounts Receivable, Postpetition Payables and Funding Agreement:** The Debtor is party to a funding agreement (the “**Funding Agreement**”) with Johnson & Johnson Holdco (NA) Inc. (“**Holdco**”). A copy of the Funding Agreement is attached as Annex E to the Declaration of John K. Kim in Support of First Day Pleadings [Dkt. 4] (the “**First Day Declaration**”). Any fulfillment of the Debtor’s funding request by Holdco pursuant to the Funding Agreement will be included in the amount reported in 1.b. The amount reported in part 2.a. represents: (a) the estimated funding under the Funding Agreement in respect of the accrued amount of postpetition Debtor’s proposed professionals’ fees during the reporting period; (b) the estimated funding under the Funding Agreement in respect of amounts payable by the Debtor under the Debtor’s secondment agreement (the “**Secondment Agreement**”) with Johnson & Johnson Services, Inc. (“**J&J Services**”) and the Debtor’s services agreement (the “**Services Agreement**”) with J&J Services; and (c) the estimated funding under the Funding Agreement, if any, in respect of amounts payable by the Debtor to the Debtor’s independent manager. The postpetition payable amount reported in part 2.f. includes the amounts described in (a) and (b) of the immediately preceding sentence. The amount in part 2.a. does not reflect any other amounts that the Debtor may be entitled to under the Funding Agreement. The Services Agreement and the Secondment Agreement are described in the First Day Declaration. In the Debtor’s previous chapter 11 case (the “**2021 Chapter 11 Case**”), the Debtor reported \$2 billion in accounts receivable to reflect the amount of proposed funding of a qualified settlement fund, which, if approved, would have been considered pre-funding under the funding agreement in effect in that case. The negative receivable reported in the Due From Parent line item in the attached balance sheet as of April 4, 2023 reflects that, in this case, no qualified settlement fund approval is being sought as well as the removal of other accrual adjustments.

6. **Total Current Assets and Total Assets:** The amount reported in part 2.d. represents the amount of the Debtor’s accounts receivable reported in part 2.a. plus the amount of the Debtor’s cash as of April 28, 2023. The amount reported as a Prepaid Expense in the Debtor’s balance sheet represents retainers paid to Epiq Corporate Restructuring, LLC as claims and noticing agent in the Chapter 11 Case, as well as Ernst & Young and Cassels Brock & Blackwell LLP for their roles in the proceedings commenced on April 13, 2023, pursuant to Part IV of the Companies’ Creditors Arrangement Act (Canada) R.S.C. 1985, c. C-36s (the “**Canadian Proceedings**”). There is a *de minimis* receivable on account of reimbursement due from Patterson Belknap Webb & Tyler LLP as a result of certain amounts paid by the Debtor that were subsequently determined not to have been owed. No amounts are reported in part 2.e. with respect to certain amounts owed by the Debtor as of the commencement of the Debtor’s 2021 Chapter 11 Case that were paid by Johnson & Johnson on behalf of the Debtor. This is because the Debtor believes it will owe Johnson & Johnson in respect of those amounts pursuant to an indemnity or otherwise. Such amounts are included in the Debtor’s balance sheet as a liability in the Liabilities Subject to Compromise line item. This line item is discussed further below in the note regarding Prepetition Unsecured Debt, Liabilities Subject to Compromise, and Due to Affiliate. Any additional amounts available to the Debtor under the Funding Agreement are not reflected in the reported assets. The amount reported on the balance sheet as Due from Subsidiary represents the amount due from Royalty A&M LLC (“**RAM**”) to the Debtor in connection with the Secondment Agreement.

7. **Investment in Subsidiary:** The Debtor owns 100% of the membership interests in its direct subsidiary, RAM. The Investment in Subsidiary line item in the attached balance sheet lists the estimated value of RAM, as of October 14, 2021, as determined by the Debtor’s management, which remains the most recent valuation of RAM available as of the reporting period covered by this MOR. That valuation was based on projections that RAM would generate more than \$50 million in revenue per year over the following five years and additional amounts thereafter. Based on these future projections, the Debtor estimated the fair market value of its interest in RAM to be approximately \$367.1 million as of October 14, 2021. There is no assurance that the future revenue projections that underlie the estimate of value will be achieved, and any differences in future revenues could be material. As such, the estimated fair market value of RAM may materially differ from its actual fair market values. In addition, as stated in the First Day Declaration, in June 2022, RAM entered into a royalty purchase agreement whereby it acquired rights to certain royalty streams from a third-party. At the time of that agreement, RAM recognized the cost of the third-party’s royalty streams it was acquiring as \$29.5 million, which streams included royalty revenue streams based on third-party sales of CLOROX®, ECOLAB®, ESSITY® and SPARTAN® products.

8. **Prepetition Unsecured Debt, Liabilities Subject to Compromise (“**LSTC**”) and Due to Affiliate:** The Due to Affiliate line item in the attached balance sheet represents amounts due to J&J Services from the Debtor in

connection with the Secondment and/or Services Agreements. Those amounts are reported in parts 2.f., 2.j. and 2.n. The amount reported in part 2.m. and as LSTC in the attached balance sheet represents the total amount of prepetition professionals fees on the Debtor's books and records, including certain amounts owed as of the commencement of the 2021 Chapter 11 Case and paid by Johnson & Johnson on behalf of the Debtor, which amount was reported in the Debtor's prior chapter 11 case.¹ See Total Current Assets and Total Assets note above. The amount also includes amounts owed in the 2021 Chapter 11 Case but not paid as of the commencement of this Chapter 11 Case, including amounts owed to professionals retained in the 2021 Chapter 11 Case, professionals in the Canadian Proceedings, the United States Trustee and the Debtor's ordinary course professionals. The Debtor is seeking authority to pay certain of these amounts to the extent they are obligations under the Dismissal Order. See Dkt. 319 (the "Dismissal Order Obligation Payment Motion"). That motion is being considered on the papers by the Bankruptcy Court. This amount may differ from the total amount reported by professionals in this Chapter 11 Case. Amounts reported as Prepetition Unsecured Debt or LSTC do not include any amount for the Debtor's talc-related liability. Prepetition liabilities that are subject to compromise under ASC 852 are preliminary and may be subject to, among other things, future adjustments depending on Court actions, further developments with respect to disputed claims, rejection of executory contracts, continued reconciliation or other events.

9. **Insurance:** The Debtor is an additional insured on various types of insurance maintained by its ultimate parent company, Johnson & Johnson (collectively, the "J&J Insurance Policies"). Insurance coverage includes workers' compensation coverage, casualty/property insurance and general liability insurance as reported in part 7.i.

10. **Amounts Reported in Part 4:** The Debtor did not have income during the reporting period. Funding, if necessary, will be available under the Funding Agreement to satisfy the Debtor's expenses, including those reported in part 4. See notes regarding Receipts, Accounts Receivable, Postpetition Payables and Funding Agreement above. Consistent with the Debtor's books and records, the MOR reports the funding available to offset the expenses incurred. The amount reported in part 4.f. reflects amounts incurred under the Services Agreement. These expenses are also reported in the attached Statement of Operations (Profit or Loss Statement). The amount reported in part 4.e. as general and administrative expenses represents amounts incurred under the Secondment Agreement. The amount reported in part 4.j. represents the estimated accrued amount of postpetition professionals' fees during the reporting period and includes postpetition professionals' fees for the Debtor's proposed professionals. ASC 852 requires expenses and income directly associated with the Chapter 11 Case to be reported separately in the income statement as reorganization items. Reorganization items primarily include expenses related to legal advisory and representation services, other professional consulting and advisory services, and changes in liabilities subject to compromise recognized as there are changes in amounts expected to be allowed as claims. Nothing contained in this MOR shall constitute a waiver of the Debtor's rights or an admission with respect to the Chapter 11 Case, including, but not limited to, matters involving objections to claims, equitable subordination, defenses, characterization or re-characterization of contracts, assumption or rejection of contracts under the provisions of chapter 3 of Title 11 of the Bankruptcy Code and/or causes of action under the provisions of chapter 5 of the Bankruptcy Code or any other relevant applicable laws to recover assets or avoid transfers.

11. **Intercompany Transactions and Balances:** Prior to the Petition Date (and subsequent to the Petition Date), the Debtor engaged (and continues to engage) in certain intercompany transactions. Intercompany transactions between the Debtor and its non-Debtor affiliate entities are reported in the statement of cash receipts and disbursements, the balance sheet and statement of income (loss) contained herein.

12. **Quarterly U.S. Trustee Fees:** As of the reporting period of this MOR, the Debtor was current with quarterly U.S. Trustee fees in this Chapter 11 Case as set forth under 28 U.S.C. § 1930. On October 14, 2021, the Debtor filed the 2021 Chapter 11 Case. On April 4, 2023, the Bankruptcy Court entered the Dismissal Order. Pursuant to the Dismissal Order, the Debtor is required to pay the U.S. Trustee any quarterly fees owed through the Date of Dismissal (i.e., April 4, 2023) pursuant to 28 U.S.C. § 1930(a)(6). Dismissal Order ¶ 16. The Debtor is seeking authority to pay

¹ On October 14, 2021, the Debtor filed the 2021 Chapter 11 Case by filing a voluntary petition under chapter 11 of the Bankruptcy Code. See No. 21-30589, Dkt. 1. On April 4, 2023, the Bankruptcy Court entered an order dismissing the 2021 Chapter 11 Case. See No. 21-30589, Dkt. 3938 (the "Dismissal Order").

those amounts in the Dismissal Order Obligation Payment Motion. That motion is being considered on the papers by the Bankruptcy Court.

13. **Bank Account Activity Report:** There is no account activity report for the Debtor's Bank of America account attached to this MOR because there was no bank activity from the time of filing on April 4, 2023 through April 28, 2023. During the reporting period, the Debtor's Bank of America account contained a balance of \$14,514,515.58.

14. **Reservation of Rights:** The Debtor reserves all rights to amend or supplement the MOR in all respects, as may be necessary or appropriate, but shall be under no obligation to do so. Nothing contained in this MOR shall constitute a waiver of the Debtor's rights or an admission with respect to the Chapter 11 Case.

In re LTL Management LLC Case No. 23-12825 (MBK)
Debtor Reporting Period: April 4 - April 28, 2023

DEBTOR'S SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

<i>Dollars in Millions</i>	LTL Management LLC Acct. 3987	
Total Receipts		-
Total Disbursements		-
Change in Cash		
Beginning Cash (Book)	\$	14.51
Net Cash Flow		-
Ending Cash (Book)	\$	14.51

In re LTL Management LLC
Debtor

Case No. 23-12825 (MBK)
Reporting Period: April 4 - April 28, 2023

LTL Management LLC		
Balance Sheet (Dollars in Millions)		
Assets	April 4, 2023	April 28, 2023
Current Assets		
Cash	\$ 14.51	\$ 14.51
Prepaid Expense	0.12	0.15
All Other Miscellaneous Receivables	0.00	0.00
Due From Subsidiary	0.02	0.03
Due From Parent	(4.58)	1.09
Total Current Assets	10.08	15.78
Investment in Subsidiary	367.13	367.13
Total Assets	\$ 377.21	\$ 382.91
Liabilities & Shareholders Equity		
Accounts Payable & Accrued Liabilities	0.00	5.43
Due to Affiliate	0.32	0.50
Liabilities Subject to Compromise	13.16	13.26
Total Liabilities	\$ 13.48	\$ 19.18
Shareholders Equity		
Paid in Capital	373.13	373.13
Accumulated Deficit	(9.40)	(9.40)
Total Shareholders Equity	\$ 363.73	\$ 363.73
Total Liabilities & Shareholders Equity	\$ 377.21	\$ 382.91

In re LTL Management LLC
Debtor

Case No. 23-12825 (MBK)
Reporting Period: April 4 - April 28, 2023

LTL Management LLC	
Statement of Operations (Profit or Loss Statement)	
(Dollars in Millions)	
	April 4, 2023 - April 28, 2023
<u>Income</u>	
Total Income	\$ -
<u>Expenses</u>	
Financial Services	0.00
General & Administrative	0.09
Contra Expense	(5.67)
Earnings Before Reorganization Items	5.57
<u>Reorganization Items</u>	
Legal Expenses	5.57
Income/(Loss) Before Provision for Taxes	-
Provision for Taxes on Income/(Loss)	-
Net Income/(Loss)	\$ -

In re LTL Management LLC

Case No. 23-12825 (MBK)

Debtor

Reporting Period: April 4 - April 28, 2023

Cash Disbursement Schedule

Date	Counterparty	Amount
<u>i. Professional Fee Disbursements</u>		
Total Professional Fee Disbursements		\$ -
<u>ii. Miscellaneous Other Disbursements</u>		
Total Miscellaneous Other Disbursements		\$ -
Total Cash Disbursements		\$ -

In re LTL Management LLC
Debtor

Case No. 23-12825 (MBK)
Reporting Period: April 4 - April 28, 2023

Royalty A&M LLC		
Balance Sheet (Dollars in Millions)		
	April 4, 2023	April 28, 2023
Assets		
Current Assets		
Cash	\$ 40.08	\$ 57.87
Other Receivable – Royalties ¹	35.69	25.00
Total Current Assets	75.77	82.87
Intangible Assets, Net of Amortization	331.25	326.91
Total Assets	\$ 407.03	\$ 409.77
Liabilities & Shareholders Equity		
Accrued Liabilities	-	-
Due to LTL Mgmt.	0.02	0.03
Due to Affiliate	0.00	0.00
Accrued Taxes	-	-
Total Liabilities	\$ 0.03	\$ 0.03
Shareholders Equity		
Paid in Capital	367.13	367.13
Retained Earnings	39.87	42.61
Total Shareholders Equity	\$ 407.00	\$ 409.74
Total Liabilities & Shareholders Equity	\$ 407.03	\$ 409.77

¹ Amounts reported are estimates, and subject to reconciliation to future sales results.

In re LTL Management LLC
Debtor

Case No. 23-12825 (MBK)
Reporting Period: April 4 - April 28, 2023

Royalty A&M LLC	
Statement of Earnings (Dollars in Millions)	
	April 4, 2023 - April 28, 2023
Royalty Income	\$ 7.10
Financial Services	0.00
General & Administrative	0.01
Intangibles Amortization	4.35
Income Before Provision for Taxes	2.74
Provision for Taxes on Income	-
Net Income	\$ 2.74